



8500 Freeport Parkway South
Suite 100
Irving, Texas
75063-2547

P.O. Box 619026
Dallas, Texas
75261-9026

214.441.8500
fax 214.441.8552
www.fhfb.com

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Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

File Reference: File No. 4600
*Work Plan for the Consideration of Incorporating International Financial
Reporting Standards into the Financial Reporting System for U.S. Issuers*

Dear Ms. Murphy:

The Federal Home Loan Banks (the "FHLBanks") appreciate the opportunity to comment on the Securities and Exchange Commission (the "SEC" or "Commission") Staff Paper entitled *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers* (hereinafter referred to as the "Work Plan"). We commend the SEC for its consideration and analysis of how other countries have incorporated International Financial Reporting Standards ("IFRS") into their accounting standards. If the SEC ultimately decides that incorporation of IFRS is in the best interest of U.S. investors, the FHLBanks are generally supportive of a blend of approaches utilized by other countries with specific considerations for the application to U.S. GAAP (i.e., the Condorsement approach). Below are our observations in response to certain elements of the proposed framework to implement the Condorsement approach.

The Role of the Financial Accounting Standards Board (the "FASB")

The FHLBanks believe that the FASB should play an instrumental role in global standard setting and should remain the standard-setting body responsible for promulgating U.S. GAAP under the proposed framework. We also believe that the FASB's authority should not be depleted upon the completion of the transition. In addition to the ways the FASB could exercise its authority (listed on page 10 of the Work Plan), the FASB should have the authority to not endorse an IFRS. As evidenced by the FASB's and IASB's inability to agree on a consistent approach for many of the Memorandum of Understanding ("MoU") joint projects, it seems that the FASB may disagree with certain aspects of current or proposed IFRSs. Furthermore, based on the feedback received from the FASB's outreach, the disagreement may be well supported by U.S. preparers and users. In such a situation, the FHLBanks believe the FASB should have the authority to not endorse an IFRS, if it is not an improvement to current U.S. GAAP. While we understand that the goal is to avoid a U.S. "flavor" of IFRS, in some circumstances, it may be necessary. The FHLBanks believe the focus should remain on the development of high-quality standards and believe that if the FASB does not have the authority to not endorse an IFRS, then the end result may be lower-quality accounting standards for the sake of convergence.

Transition

The Work Plan's transition element contemplates organizing IFRS's into the following categories: (1) IFRSs subject to MoU projects; (2) IFRSs included on the IASB's current standard-setting agenda; and (3) all other existing IFRSs and areas not addressed by IFRSs. While the FHLBanks understand that the SEC's primary focus is the best interests of investors, as preparers of financial statements, we are concerned with the operational issues and costs to converge. The Work Plan states that for category 3 IFRSs, prospective application would be permitted whenever possible; however, the costs and effort to apply category 1 IFRSs, for which the FASB has proposed primarily retrospective application, and category 2 IFRSs, which could also require primarily retrospective application, will be considerable. Certain of the MoU projects (e.g., Accounting for Financial Instruments and Financial Statement Presentation) are very complex and expected to have a pervasive impact on financial statement preparation and presentation. Entities may have to maintain multiple sets of books concurrently, which would require considerable resources and information technology capabilities. The costs for training personnel, implementing changes to information and financial reporting systems, and the development and testing of internal controls will be significant. While prospective application may be permitted for certain of the MoU projects and category 2 and 3 IFRSs and is preferable to retrospective application, the costs and effort associated with prospective application should not be underestimated.

Accordingly, the FHLBanks agree that a carefully conceived implementation program over a period of time is imperative. The FHLBanks are not concerned that a gradual transition may be perceived as evidence of a lack of U.S. commitment to fully incorporate IFRS. The ultimate goal should be high-quality international accounting standards and if it takes five to seven years, or longer, for the development and implementation of such standards, the commitment of the U.S. should be judged by the work performed to achieve that goal rather than the date of achievement.

We thank the SEC for its consideration of the FHLBanks' views and welcome the opportunity to discuss this matter with the Commission and its staff. Please do not hesitate to contact me at (214) 441-8535.

Sincerely,



Tom Lewis
Senior Vice President and Chief Accounting Officer
Federal Home Loan Bank of Dallas
(On behalf of the Federal Home Loan Banks as Chair of the Controllers' Committee)